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**ST. MARY PARISH WARDS 5 AND 8 JOINT SEWERAGE COMMISSION
STATE OF LOUISIANA**

Annual Component Unit Financial Statements with Independent Auditors' Report

And

Report on Internal Control and Compliance and Other Matters

For the Years Ended September 30, 2007 and 2006

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date

4/16/08

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INDEPENDENT AUDITORS' REPORT

To the Board of Commissioners
St. Mary Parish Wards 5 and 8
Joint Sewerage Commission
Berwick, Louisiana

We have audited the accompanying financial statements of the business-type activities and the major fund of St. Mary Parish Wards 5 and 8 Joint Sewerage Commission, a component unit of St. Mary Parish, as of and for the years ended September 30, 2007 and 2006, which collectively comprise the Commission's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the St. Mary Parish Wards 5 and 8 Joint Sewerage Commission's management. Our responsibility is to express an opinion on these financial statements based on our audit.

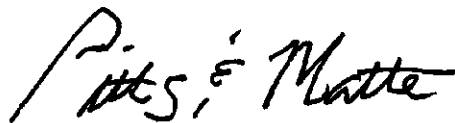
We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinions.

In our opinion, the 2007 and 2006 financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the major fund of St. Mary Parish Wards 5 and 8 Joint Sewerage Commission as of September 30, 2007 and 2006 and the respective changes in financial position and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The Commission has not presented Management's Discussion and Analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of, the basic financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 4, 2008, on our consideration of St. Mary Parish Wards 5 and 8 Joint Sewerage Commission's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise the St. Mary Parish Wards 5 and 8 Joint Sewerage Commission's basic financial statements. The schedule listed in the table of contents as Supplementary Information is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information, has not been subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we express no opinion on it.

A handwritten signature in black ink, appearing to read "Pitts & Matte". The signature is written in a cursive, flowing style.

March 4, 2008

CERTIFIED PUBLIC ACCOUNTANTS

ST. MARY PARISH WARDS 5 AND 8 JOINT SEWERAGE COMMISSION
INTERNAL SERVICE FUND
COMPARATIVE STATEMENT OF NET ASSETS
September 30, 2007 and 2006

	<u>2007</u>	<u>2006</u>
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 5,194	\$ 103,073
Due from other governmental units	97,908	75,235
Prepaid insurance	<u>27,019</u>	<u>27,019</u>
Total current assets	<u>130,121</u>	<u>205,327</u>
NONCURRENT ASSETS:		
Property, Plant, and Equipment at cost (net of accumulated depreciation)	<u>1,436,139</u>	<u>1,418,830</u>
Total noncurrent assets	<u>1,436,139</u>	<u>1,418,830</u>
OTHER ASSETS:		
Deposits	<u>2,402</u>	<u>2,402</u>
TOTAL ASSETS	<u>\$ 1,568,662</u>	<u>\$ 1,626,559</u>
 LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts payable	\$ 40,412	\$ 76,778
Accrued expenses	293	4,939
Deferred revenue	<u>5,600</u>	<u>-</u>
Total current liabilities	<u>46,305</u>	<u>81,717</u>
NONCURRENT LIABILITIES:		
Due to participants	<u>99,110</u>	<u>99,110</u>
TOTAL LIABILITIES	<u>145,415</u>	<u>180,827</u>
NET ASSETS:		
Invested in capital assets	1,436,139	1,418,830
Restricted for repairs and replacements	(20,763)	11,981
Unrestricted	<u>7,871</u>	<u>14,921</u>
Total net assets	<u>1,423,247</u>	<u>1,445,732</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,568,662</u>	<u>\$ 1,626,559</u>

The accompanying notes are an integral part of these financial statements.

ST. MARY PARISH WARDS 5 AND 8 JOINT SEWERAGE COMMISSION
INTERNAL SERVICE FUND
COMPARATIVE STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
For the Years ended September 30, 2007 and 2006

	<u>2007</u>	<u>2006</u>
OPERATING REVENUES:		
Charges for services	\$ 666,877	\$ 671,336
TOTAL OPERATING REVENUE	<u>666,877</u>	<u>671,336</u>
OPERATING EXPENSES:		
Advertising	288	144
Truck and fuel	13,982	19,069
Chemicals	20,083	27,426
Insurance	52,656	46,943
Contract labor	9,556	4,050
Legal and accounting	9,275	6,858
Miscellaneous	236	225
Supplies	2,876	6,721
Repairs and maintenance	213,356	261,760
Equipment rental	230	3,533
Salaries	71,895	65,656
Taxes - payroll	11,086	8,042
Utilities	201,503	115,949
Retirement	10,892	9,121
Engineering	6,803	15,062
Depreciation	102,396	96,604
Lab fees	21,023	14,735
Uniforms	2,891	2,114
Board meetings	3,000	2,750
Telephone	15,744	13,468
Water surveillance	12,074	14,353
Grass cutting	13,105	11,755
TOTAL OPERATING EXPENSES	<u>794,950</u>	<u>746,338</u>
INCOME (LOSS) FROM OPERATIONS	<u>(128,073)</u>	<u>(75,002)</u>
NON-OPERATING REVENUE (EXPENSE):		
Interest income	280	675
Loss on disposal of asset	(9,471)	-
INCOME (LOSS) BEFORE CONTRIBUTIONS	<u>(137,264)</u>	<u>(74,327)</u>
Contributions, intergovernmental		
St. Mary Parish Government	51,880	8,281
St. Mary Parish Water and Sewer Commission No. 2		4,141
Town of Berwick	31,048	4,141
City of Patterson	31,851	-
	<u>114,779</u>	<u>16,563</u>
CHANGE IN NET ASSETS	<u>(22,485)</u>	<u>(57,764)</u>
NET ASSETS, BEGINNING OF YEAR	<u>1,445,732</u>	<u>1,503,496</u>
NET ASSETS, END OF YEAR	<u>\$ 1,423,247</u>	<u>\$ 1,445,732</u>

The accompanying note are an integral part of these financial statements.

ST. MARY PARISH WARDS 5 AND 8 SEWERAGE COMMISSION
INTERNAL SERVICE FUND
COMPARATIVE STATEMENT OF CASH FLOWS
For the Years September 30, 2007 and 2006

	<u>2007</u>	<u>2006</u>
Cash flows from operating activities:		
Received from participants	\$ 644,204	\$ 742,200
Paid to suppliers and employees	<u>(727,966)</u>	<u>(639,991)</u>
Net cash provided (used)	<u>(83,762)</u>	<u>102,209</u>
Cash flows from noncapital financing activities:		
Intergovernmental contributions	<u>114,779</u>	<u>16,563</u>
Net cash provided	<u>114,779</u>	<u>16,563</u>
Cash from capital and related financial activities:		
Acquisition of capital assets	(136,252)	(51,110)
Proceeds from disposal of capital assets	<u>7,076</u>	<u>-</u>
Net cash (used)	<u>(129,176)</u>	<u>(51,110)</u>
Cash flows from investing activities:		
Interest income	<u>280</u>	<u>675</u>
Net cash provided	<u>280</u>	<u>675</u>
Net (decrease) increase in cash and cash equivalents	(97,879)	68,337
Cash and cash equivalents at beginning of year	<u>103,073</u>	<u>34,736</u>
Cash and cash equivalents at end of year	<u>\$ 5,194</u>	<u>\$ 103,073</u>
Reconciliation of operating income to net cash provided by operating activities:		
Operating (Loss)	\$ (128,073)	\$ (75,002)
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	102,396	96,604
(Increase) decrease in due from other governments	(22,673)	70,864
(Decrease) increase in accounts payable	(36,386)	48,185
(Decrease) in retainage payable		(43,380)
(Decrease) increase in accrued expenses	(4,646)	4,938
Increase in deferred revenue	<u>5,600</u>	<u>-</u>
Net cash provided (used) by operating activities	<u>\$ (83,762)</u>	<u>\$ 102,209</u>

The accompanying notes are an integral part of these financial statements.

ST. MARY PARISH WARDS 5 AND 8 JOINT SEWERAGE COMMISSION

NOTES TO THE FINANCIAL STATEMENTS

September 30, 2007 and 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

St. Mary Parish Wards 5 and 8 Joint Sewerage Commission was established in May, 1984, by an intergovernmental agreement between the participants, the Town of Berwick, the City of Patterson, the Parish of St. Mary, and Sewerage District No. 2 of the Parish of St. Mary, State of Louisiana. The Commission's sole responsibility and duty is to maintain, operate, and administer the sewerage treatment facility that is jointly owned by the participants.

During the year ended September 30, 1995, the St. Mary Parish Council entered into an agreement to transfer their ownership interest in the sewerage treatment facility to two of the Parish Council's component units, Sewerage District No. 2 and Sewerage District No. 8. In October, 2000, the St. Mary Parish Council combined Waterworks District No. 2 and Sewerage District No. 2 to create St. Mary Parish Water and Sewer Commission No. 2. These component units of the Parish of St. Mary are currently participants in the funding of the operations of St. Mary Parish Wards 5 and 8 Joint Sewerage Commission.

The following participants funded the operation of St. Mary Parish Wards 5 and 8 Joint Sewerage Commission as of September 30, 2007 and 2006.

1. Town of Berwick
2. City of Patterson
3. St. Mary Parish Water and Sewerage Commission No. 2
4. St. Mary Parish Sewerage District No. 8
5. St. Mary Parish Council

The accounting and reporting practices of the Commission conform to generally accepted accounting principles (GAAP) as applicable to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Commission has not presented a Management's Discussion & Analysis (M D & A) that GASB has determined is necessary to supplement, although not required to be part of, the basic financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The following is a summary of the significant accounting policies used in preparing the financial statements:

A. Reporting Entity

In evaluating how to define the governmental unit, for financial reporting purposes, consideration has been given to the following criteria as set forth in GAAP:

- a. Financial benefit or burden
- b. Appointment of a voting majority
- c. Imposition of will
- d. Fiscally dependent

Based upon the above criteria, the Commission is a component unit and integral part of the St. Mary Parish Council (the primary government).

These financial statements include only the operations of the Commission.

B. Basis of Accounting

The financial statements of the Commission are prepared on the accrual basis of accounting whereby revenues are recognized when earned and expenses are recognized when incurred. Under Governmental Accounting Standards Board Statement No. 20, the Commission has elected not to apply Financial Accounting Standards Board provisions issued after November 30, 1989.

Proprietary Fund Type

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The operating revenues of the Commission come from sales to municipal and other governmental customers. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Internal Service Fund

An Internal service fund is a proprietary type fund that is used to account for any activity that provides goods or services to other governments, on a cost-reimbursement basis. St. Mary Parish Wards 5 and 8 Joint Sewerage Commission is an internal service fund.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Revenues

The following is a summary of the Commission's recognition policies for its major revenue sources:

Charges for sewerage service is based upon usage and is recorded as revenue and receivables in the month the service is provided.

Investment earnings are recorded when earned.

When both restricted and unrestricted resources are available for use, it is the Commission's policy to use restricted resources first, then unrestricted resources as they are needed.

The Commission reports deferred revenue in the financial statements. Deferred revenues arise when payments are received for goods or services before the good or service is provided. In the subsequent periods, when the good or service is provided, the liability for deferred revenue is removed from the balance sheet and revenue is recognized.

D. Expenses

Expenses are recognized under the accrual basis of accounting where liabilities are recorded at the time expenses are incurred.

E. Budgets and Budgetary Accounting

The St. Mary Parish Wards 5 and 8 Joint Sewerage Commission is not legally required to and does not adopt a budget.

F. Cash and Cash Equivalents

For financial statement purposes, cash and cash equivalents include bank deposits and/or certificates of deposit with original maturates of less than three months.

G. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in the financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

H. Property, Plant, and Equipment

Fixed assets including sewer lines, pump stations and all other sewerage disposal assets are capitalized in the propriety fund. Property, plant and equipment owned by the proprietary fund is recorded at cost or, if contributed property, at their market value at the time of contribution. Repairs and maintenance are recorded as expenses; renewals and betterments are capitalized.

Depreciation of all exhaustible fixed assets used by proprietary funds is charged as an expense against their operations. Accumulated depreciation is reported on proprietary fund balance sheets. Depreciation has been provided over estimated useful lives using the straight-line method.

The estimated useful lives are as follows:

Buildings and improvements	10-25 years
Equipment	7-15 years
Vehicles	5-10 years

I. Accumulated Vacation, Compensatory Time and Sick Leave

Accumulated vacation, compensatory time and sick leave are recorded as an expense of the period in which paid. At September 30, 2007 and 2006 unrecorded liabilities for the above are immaterial.

J. Equity Classifications

Equity is classified as net assets and displayed in three components – invested in capital assets, restricted and unrestricted. These classifications are defined as follows:

- Invested in capital assets– This component of net assets consists of capital assets net of accumulated depreciation.
- Restricted – This component of net assets consists on net asset with constraints imposed by the Board to restrict certain funds for repairs and replacements of the sewerage system.
- Unrestricted net assets – This component of net asset consist of net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

K. Reclassification

Certain items have been reclassified from the prior year financial statements in order to make these financial statements more comparative.

L. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America require management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenditures, and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 2 - CASH AND CASH EQUIVALENTS

The Commission does not have a formal investment policy related to interest rate-risk (the risk of an investment decreasing in value due to increasing interest rates).

In addition, the Commission does not have a formal investment policy related to credit risk (including concentrations of credit). However the Commission does follow state law as to limitations on types of deposits and investments as described below.

The Commission does not invest in any investments subject to foreign currency risk.

Cash and cash equivalents

Under state law the Commission may deposit its funds with certain state and federally chartered financial institutions. These deposits are required to be insured or collateralized by the financial institutions.

At year end 2007 and 2006 the carrying amount of the Commissions cash was \$5,194 and \$103,073 respectively and the bank balances were \$65,779 and \$105,908 respectively.

In both years a portion (up to \$100,000) of these balances were covered by federal depository insurance, the uninsured portion of \$5,908 in 2006 was collateralized with securities held by the financial institution but not in the Commission's name.

NOTE 3 - FIXED ASSETS

CAPITAL ASSETS

Capital asset and depreciation activity for the years ended September 30, 2007 and 2006 is as follows:

	Ending Balance 9/30/2006	Increases	Reclass- ifications	Ending Balance 9/30/2006	Increases	Decreases	Balance 9/30/2007
Capital assets not being depreciated:							
Construction in process	\$ 38,146	-	\$ (38,146)	-	114,779	-	\$ 114,779
Total capital assets not being depreciated	38,146	-	(38,146)	-	114,779	-	114,779
Other capital assets:							
Buildings and improvements	1,611,830	\$ 10,061	38,146	\$ 1,660,037			\$ 1,660,037
Equipment	452,479	21,583		474,062			474,062
Vehicles	32,479	19,467	-	51,946	\$ 21,473	\$ (34,762)	38,657
Total other capital assets at historical cost	2,096,788	51,111	38,146	2,186,045	21,473	(34,762)	2,172,756
Less accumulated depreciation for:							
Buildings and improvements	315,681	59,762		375,443	68,457		443,900
Equipment	322,451	33,922		356,373	33,223		389,596
Vehicles	32,479	2,920	-	35,399	716	(18,215)	17,900
Total accumulated depreciation	670,611	96,604	-	767,215	102,396	(18,215)	851,396
Other capital assets, net	1,426,177	(45,493)	-	1,418,830	(80,923)	(16,547)	1,321,360
Total capital assets, net	\$ 1,464,323	\$ (45,493)	-	\$ 1,418,830	\$ 33,856	(16,547)	\$ 1,436,139

Depreciation expense was approximately \$102,000 and \$97,000 for the years ended September 30, 2007 and 2006 respectively.

NOTE 4 - DUE FROM OTHER GOVERNMENTAL UNITS

Due from other governmental units are amounts due from each participant for unpaid user fees of the sewerage system. Amounts due from other governmental units consisted of the following:

	<u>9/30/07</u>	<u>9/30/06</u>
St. Mary Parish Water and Sewer Commission No. 2	\$17,462	\$16,325
Sewerage District No. 8	12,209	9,423
Town of Berwick	14,910	15,979
St. Mary Parish Government	3,034	
City of Patterson	<u>50,293</u>	<u>33,508</u>
Total due from other governmental units	<u>\$97,908</u>	<u>\$75,235</u>

NOTE 5 - DUE TO PARTICIPANTS

The following is a list of the total advances received from the following governmental units as of September 30, 2007 and 2006.

	<u>2007</u>	<u>2006</u>
Sewerage District No. 8	\$4,518	\$4,518
Town of Berwick	27,993	27,993
City of Patterson	31,292	31,292
St. Mary Parish Council	15,820	15,820
St. Mary Parish Water and Sewer Commission No. 2	<u>19,487</u>	<u>19,487</u>
	<u>\$99,110</u>	<u>\$99,110</u>

NOTE 6 - PENSION PLAN

St. Mary Parish Wards 5 and 8 Joint Sewerage Commission contributes to the Parochial Employees' Retirement System of Louisiana (Plan A), a cost sharing multiple-employer public employee retirement system administered by a Board of Trustees consisting of seven members. The System provides retirement and disability benefits, annual cost of living adjustments and death benefits to plan members and beneficiaries. The System was established by the Louisiana legislature by Act 205 of 1952 and revised by Act 765 of 1979. The System issues a publicly available financial report that includes financial statements and required supplementary information. This report may be obtained by calling the Parochial Employees' Retirement System of Louisiana at (225) 928-1361.

Plan members are required to contribute 9.50% of their annual covered salary and St. Mary Parish Wards 5 and 8 Joint Sewerage Commission is required to contribute at a rate established by the State Legislature. The current rate is 13.25% of annual covered payroll. The Commission's actual contributions to the System for the years ending September 30, 2007, 2006, and 2005 were approximately \$10,900, \$9,100, and \$9,500, respectively; and equal the required contributions for each year.

NOTE 7 - SEWERAGE FEES

In order to defray the cost of maintaining the system, St. Mary Parish Wards 5 and 8 Joint Sewerage Commission charges each participant \$1.30 per thousand gallons of water consumed by each participant's water customers. The Commission has set aside 15 cents of each \$1.30 charged in a money market account specifically for any repairs paid by the Commission. The other \$1.15 goes toward operating expenses. As of September 30, 2007 and 2006, the balance in the repair & maintenance account was \$(20,763) and \$11,981 respectively.

Subsequent to year end, the Commission increased its rate to \$1.80 per thousand gallons.

NOTE 8 - RELATED PARTIES - INTERGOVERNMENTAL AGREEMENT

The Commission has discovered several manholes that need repair work estimated at a total cost of \$125,000. The Commission entered an agreement with the St. Mary Parish Council, the Town of Berwick, and the City of Patterson to repair the sewer system. Under the agreement, the Commission is to pay invoices for the project components on a monthly basis and the contributing parties are to reimburse the Commission for their respective share of the cost incurred. Each parties' share of costs and costs incurred through September 30, 2007 are:

	<u>Share Of Costs</u>	<u>Costs Incurred</u>
St. Mary Parish Council	45.20%	\$51,880
Town of Berwick	27.05%	31,048
City of Patterson	<u>27.75%</u>	<u>31,851</u>
Total costs incurred	100%	<u>\$114,779</u>

NOTE 9 - COMPENSATION OF BOARD MEMBERS

Board members received the following per diems for the years ended September 30, 2007 and 2006:

	<u>2007 Amount</u>	<u>2006 Amount</u>
Barry Dufrene	\$600	\$550
Tony Hensgens	600	550
Rafael Lopez	600	550
David Lowery	600	550
Floyd Verret	<u>600</u>	<u>550</u>
	<u>\$3,000</u>	<u>\$2,750</u>

NOTE 10 - RISK MANAGEMENT

The Commission is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions and natural disasters for which the Commission carries commercial insurance. There have been no significant reductions in coverage from the prior year and settlements of claims have not exceeded coverage in the past three years.

SUPPLEMENTARY INFORMATION

ST. MARY PARISH WARDS 5 AND 8 JOINT SEWERAGE COMMISSION

STATE OF LOUISIANA

SCHEDULE OF INSURANCE IN FORCE

For the year ended September 30, 2007

(Unaudited)

<u>Insurer</u>	<u>Type of Insurance</u>	<u>Coverage</u>	<u>Exp. Date</u>
American International Co.	Public Officials Errors & Omissions	Aggregate \$ 1,000,000	12/16/2007
All State Co.	Commercial Property	Building & Contents \$ 264,051 Personal property \$ 1,423,250	7/2/2008
AAIC Ins. Co.	Auto	Combined \$ 1,000,000	7/2/2008
LWCC Ins. Co.	Worker's Compensation	Ea. Accident \$ 1,000,000 Aggregate \$ 1,000,000	7/2/2008
AAIC Ins. Co.	General Liability	Aggregate \$ 3,000,000 Ea. Occurrence \$ 1,000,000	7/2/2008
AAIC Ins. Co.	Commercial Umbrella	Aggregate \$ 1,000,000 Ea. Occurrence \$ 1,000,000	7/2/2008

**INTERNAL CONTROL OVER FINANCIAL REPORTING AND COMPLIANCE AND
OTHER MATTERS SECTION**



**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

Board of Commissioners
St. Mary Parish Wards 5 and 8
Joint Sewerage Commission
Berwick, Louisiana

We have audited the accompanying financial statements of the business-type activities and the major fund of St. Mary Parish Wards 5 and 8 Joint Sewerage Commission (the Commission) as of and for the year ended September 30, 2007, which collectively comprise the Commission's basic financial statement and have issued our report thereon dated March 4, 2008, which contains one additional paragraph. The paragraph states that management elected to omit Management's Discussion and Analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of, the basic financial statements. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Commission's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control over financial reporting.

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the internal control over financial reporting that might be significant deficiencies or material weaknesses. However, we noted three deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency or combination of control deficiencies, that adversely affect the Commission's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Commission's financial statements that is more than inconsequential will not be prevented or detected by the Commission's internal control. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be significant deficiencies in internal control over financial reporting.

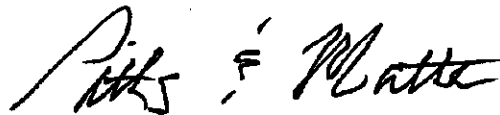
A material weakness is a significant deficiency, or combination of significant deficiencies, that result in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Commission's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that the three significant deficiencies described above are material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Commission's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

This report is intended solely for the use of the management of the Commission, the Legislative Auditor of the State of Louisiana and the Finance Committee of the St. Mary Parish Council, and is not intended to be and should not be used by anyone other than these specified parties. However under Louisiana Revised Statute 24:513, this report is considered a public record and may be distributed by the Legislative Auditor.

A handwritten signature in black ink, appearing to read "Rick F. Matte". The signature is fluid and cursive, with the first name "Rick" being more prominent than the last name "Matte".

CERTIFIED PUBLIC ACCOUNTANTS

March 4, 2008
Morgan City, Louisiana

**ST. MARY PARISH
WARDS 5 AND 8 JOINT SEWERAGE COMMISSION**

**Schedule of Findings, Questioned Costs and Federal Awards
For the Year Ended September 30, 2007**

A. SUMMARY OF AUDIT RESULTS

1. The auditors' report expresses an unqualified opinion on the financial statements of the St. Mary Parish Wards 5 and 8 Joint Sewerage Commission.
2. Report on Internal Control Over Financial Reporting and Compliance and Other Matters

Internal Control

There were three significant deficiencies in internal control over financial reporting noted during the audit of the financial statements. These conditions are reported as material weaknesses.

Compliance and Other Matters

There were no instances of noncompliance nor other matters noted during the audit of the financial statements that are required to be reported.

3. Federal Awards

This section is not applicable for the year ended September 30, 2007.

B. FINDINGS - FINANCIAL STATEMENT AUDIT

Material Weakness

ITEM 2007-1

Segregation of Duties

Auditors' Comments

Condition: While performing audit tests and inquiring about internal control, we discovered that there is very little segregation of duties within the Commission's accounting function.

Criteria: Ordinarily, the accounting duties performed in an organization are segregated to reduce possible errors or irregularities that could occur in the accounting records and not be detected.

Effect: Lack of segregation of duties results in a material weakness in internal accounting controls.

Cause: The Commission has limited personnel.

Management's Comments

We have reviewed this situation and have decided that the additional controls derived by employing an additional person in our bookkeeping area is outweighed by the additional personnel costs.

ITEM NO. 2007-2

Accounts Receivable

Auditor's Comments

Condition: During the course of the audit we noted that a detail listing of receivables is not maintained and reconciled to the general ledger.

Criteria: A detailed listing of amounts receivable should be maintained at all times. This is the only way the Commission is aware of amounts due to be received.

Effect: Without a detailed accounts receivable listing, there is no way to determine amounts due to the Commission. There could be a loss of validly earned revenue or misinformation could be reported to the board.

Cause: The Commission does not have a system to properly monitor outstanding invoices.

Recommendation: Management should establish a system to maintain a detail listing of accounts receivable and this listing should be balanced to the general ledger on a monthly basis. Any old outstanding amounts should be investigated and collected on a timely basis.

Management's Comments

We will implement a system to maintain a detailed listing of accounts receivable and balance it to the general ledger on a monthly basis. We will also review the listing on a monthly basis.

ITEM NO. 2007-3

Accounts Payable

Auditors' Comments

Condition: During the course of the audit we noted that the detail listing of payables is not reconciled to the general ledger.

Criteria: A detailed listing of payables should be reconciled to the general ledger. This insures that all liabilities and expenses are properly recorded and paid.

Effect: Not reconciling the detailed payables listing could result in failure to discover errors made in recording payables and expenses.

Cause: The system presently in use does not require that a detail payable listing be periodically reconciled to the general ledger control balance.

Recommendation: The Commission should reconcile the detail listing to the general ledger on a monthly basis.

Management's Comments

We will implement a system to maintain a detail listing of accounts payable and reconcile it to the general ledger on a monthly basis.

C. FINDINGS AND QUESTIONED COSTS - FEDERAL AWARD PROGRAMS

This section is not applicable for the year ended September 30, 2007.

**SUMMARY OF PRIOR YEAR FINDINGS AND RELATED CORRECTIVE ACTION
PREPARED BY ST. MARY PARISH
WARDS 5 AND 8 JOINT SEWERAGE COMMISSION**

**INTERNAL CONTROL OVER FINANCIAL REPORTING AND COMPLIANCE AND
OTHER MATTERS MATERIAL TO THE FINANCIAL STATEMENTS**

Internal Control

Material Weakness

Item 2006-1 Lack of Segregation of Duties

Condition: While performing audit tests and inquiring about internal control, our auditors discovered that there is very little segregation of duties within the Commission's accounting function.

Corrective Action: We have reviewed this situation and decided that the additional personnel costs outweigh the additional controls that would be derived.

Item 2006-2 Accounts Receivable

Condition: During the course of the audit our auditors noted that a detail listing of receivables is not maintained and reconciled to the general ledger.

Corrective Action: This was not corrected.

Item 2006-3 Accounts Payable

Condition: During the course of the audit, we noted that a detail listing of payables is not maintained and reconciled to the general ledger.

Corrective Action: The Commission did maintain a detail listing of payables, however, the detail listing was not reconciled to the general ledger.

INTERNAL CONTROL AND COMPLIANCE MATERIAL TO FEDERAL AWARDS

Not applicable to prior year.

**WARDS 5 & 8 TREATMENT FACILITIES
P. O. BOX 181
BERWICK, LA 70392
985-395-4944**

March 18, 2008

Mr. Steve Theriot, CPA
Legislative Auditor
State of Louisiana
P. O. Box 94397
Baton Rouge, LA 70804-9397

Dear Mr. Theriot:

St. Mary Parish Wards 5 & 8 Joint Sewerage Commission respectfully submits the following corrective action plan for our year ended September 30, 2007.

CORRECTIVE ACTION:

Person Responsible:	Mr. David Lowery, Chairman St. Mary Parish Wards 5 & 8 Joint Sewerage Commission P. O. box 181 Berwick, LA 70342
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Material Weaknesses:

RE: Item No. 2007-1, Segregation of Duties

Auditors' Comment: While performing audit test and inquiring about internal control, our auditors discovered that there is very little segregation of duties within the commission's accounting functions.

Corrective Action: We have reviewed this situation and have decided that the additional controls derived by employing an additional person in our bookkeeping area is outweighed by the additional personnel costs.

RE: Item No. 2007-2, Accounts Receivable

Auditors' Comment: Our auditors noted that we did not maintain a detailed listing of accounts receivable and did not reconcile it to the general ledger.

Corrective Action: We will implement a system to maintain a detailed listing of accounts receivable. We will review the listing and balance it to the general ledger on a monthly basis.

RE: Item No. 2007-3, Accounts Payable

Auditors' Comment: Our auditors noted that we did not reconcile a detailed listing of accounts payable to the general ledger.

Corrective Action: We will implement a system to reconcile a detailed listing of accounts payable to the general ledger on a monthly basis.

This plan of action is being submitted in accordance with Legislative requirement. If you have any questions concerning this action, contact the undersigned.

St. Mary Parish Wards 5 & 8 Joint Sewerage Commission



Dave Lowery
Chairman

Cc: Commissioners
Secretary
Auditors